

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7241**

**BILL NUMBER:** SB 302

**NOTE PREPARED:** Feb 22, 2011

**BILL AMENDED:** Feb 21, 2011

**SUBJECT:** Nepotism.

**FIRST AUTHOR:** Sen. Lawson C

**FIRST SPONSOR:** Rep. Hinkle

**BILL STATUS:** As Passed Senate

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) *Local Government Nepotism*- The bill prohibits a relative of an executive, a member of the legislative body, or a member of the fiscal body (public official) of a county, city, town, or township (local unit) from being employed by the local unit. The bill prohibits an individual who is a relative of: (1) an elected officer (not including an executive or member of the legislative or fiscal body); or (2) an employee; of a local unit from being employed by the local unit in a position that would put the elected officer or employee in a direct line of supervision over the individual.

*Temporary Grandfather Provision*- The bill specifies that an employee of a local unit is not required by these provisions to be terminated or reassigned from any position held by that individual before July 1, 2011, but provides that this grandfathering provision expires January 1, 2015.

*Unit Contracts*- The bill provides that a unit can enter into or renew a contract for (1) the procurement of goods and services; or (2) a contract for public works; with a relative of a public official or a business entity in which a relative has an ownership interest if the public official makes full written disclosure and satisfies any other requirements of the public purchasing law or the public works law.

*Certify Compliance/Annual Budgets*- The bill requires each public official and elected officer of the local unit to annually certify in writing, subject to the penalties for perjury, that the official or officer is in compliance with the nepotism law and submit the certification to the executive of the local unit. The bill requires the executive of the local unit to file with the annual personnel report filed with the State Board of Accounts, a statement: (1) certified under the penalties for perjury; and (2) that the unit has implemented a policy that complies with the nepotism law.

**Effective Date:** July 1, 2011.

**Explanation of State Expenditures:** *Certify Compliance-* The bill specifies that local unit executives must provide a report to the State Board of Accounts (SBOA), under the penalty of perjury if falsified, that the local unit is in compliance with the nepotism and contractual requirements of the bill. Local unit executives would be subject to perjury, a Class D felony, for falsely certifying that the unit is in compliance with nepotism provisions established under the bill.

*Penalty Provision:* A Class D felony is punishable by a prison term ranging from six months to three years or reduction to Class A misdemeanor depending upon mitigating and aggravating circumstances. Assuming offenders can be housed in existing facilities with no additional staff, the marginal cost for medical care, food, and clothing is approximately \$4,818 annually, or \$13.20 daily, per prisoner. However, any additional expenditures are likely to be small. The average length of stay in Department of Correction (DOC) facilities for all Class D felony offenders is approximately ten months.

**Explanation of State Revenues:** *Penalty Provision:* If additional court cases occur and fines are collected, revenue to both the Common School Fund (from criminal fines) and the state General Fund (from court fees) would increase. The maximum fine for a Class D felony is \$10,000. However, any additional revenues would likely be small.

**Explanation of Local Expenditures:** *Annual Budgets-* The bill specifies that local units that do not file a statement with the SBOA that they are in compliance with the above requirements would not have their budgets nor any additional appropriations approved by the Department of Local Government Finance in the following year until notified by the SBOA that the subdivision is in compliance. Any impact on local unit expenditures would depend on the amount of time a local unit was not in compliance.

*Penalty Provision:* If more defendants are detained in county jails prior to their court hearings, local expenditures for jail operations may increase. However, any additional expenditures would likely be small.

**Explanation of Local Revenues:** *Penalty Provision:* If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from court fees. However, the amounts would likely be small.

**State Agencies Affected:** Department of Correction; State Board of Accounts; Department of Local Government Finance.

**Local Agencies Affected:** Trial courts, local law enforcement agencies, county prosecutors; cities, towns, townships, and counties.

**Information Sources:**

**Fiscal Analyst:** Chris Baker, 317-232-9851.